

**REMARKS**

This Amendment and Request for Reconsideration is submitted in response to an outstanding Office Action dated September 13, 2006, the shortened statutory period for response having expired on December 13, 2006. Accordingly, a Petition and Fee for Extension of time are included herewith.

**I.      Status of the Claims**

Please amend claim 40 as indicated above. Claims 1-56 are now pending in the application, with claims 1-39, 42-46 and 50-56 currently withdrawn from prosecution. Claims 1, 14, 15, 16, 17, 18, 28, 29, 39, 40, 53, 54, 55, and 56 are independent claims.

Applicants acknowledge the Examiner's citation of statutory authority as a basis for claim rejections.

**II.     Rejections under 35 U.S.C. § 101**

The Examiner has rejected claims 40, 41 and 47-50 under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

In particular, the Examiner states that under the Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility (“Interim Guidelines”) a claimed invention must be directed to a “practical application.” As stated by the Examiner this requires that the invention transform an article or physical object to a different state or thing. The Examiner states that the claims fail to physically transform an article or physical object to a different state. The Examiner then states that an alternative test is to determine if the claimed invention as a whole is directed to or produces a useful concrete and tangible result. The Examiner argues that the claims recite process steps without providing any specific standard, procedure or algorithm which can render the parameter “discounted price” a concrete result because the discounted price can be calculated by a human thinking or concept, thus cannot be

reproducible or concrete. The Examiner also distinguishes the holding of *State Street Bank*, stating that the results of the claimed invention in arriving at a discount price and subsequently issuing an exchangeable security at the discount price is “clearly not the same results found in” *State Street Bank*.

Applicant respectfully disagrees with the Examiner’s analysis of the claimed invention and the cited precedent, and respectfully submits that the claims as presented are directed to patentable subject matter.

Claim 40 recites a financial method for issuing an exchangeable security that is traded in a secondary market on a securities exchange and that is related to an underlying security. The method comprises determining a price of the underlying security at a first time; calculating a discounted price of the underlying security as a discount from the price of the underlying security at the first time; and issuing the exchangeable security at the discounted price for trading in the secondary market on the securities exchange. The exchangeable security includes an exchange right on or after a second time, where under the exchange right, a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the underlying security, the second time after the first time.

The invention as a whole is directed to and produces a useful, concrete and tangible result. As a result of performing the claimed method, an exchangeable security, which did not previously exist, is issued. That exchangeable security can be traded in the secondary market on a securities exchange. Every business day, fortunes are made and lost from the trading of securities in the secondary market on the NYSE, AMEX and other securities exchanges. Thus, the underlying securities, which are absolutely necessary for that trading, produce concrete and useful results.

It is an undisputable fact that the overall status of the U.S. economy is measured

by the volume of trading of securities in the secondary market. They are the most fundamental building block of the entire U.S. economy. The prices of the securities as they rise and fall during trading in the secondary market on those securities exchanges are reported second by second through the business day. The numeric value of indexes, such as the Dow and the S&P 500, all of which merely reflect the trading prices of their underlying component securities, are the topics of business news every day. It is arguably un-American to say that securities are not useful.

Withdrawal of the rejection under 35 U.S.C. §101 is respectfully requested.

III. Rejections under 35 U.S.C. § 102

The Examiner has rejected claim 40 as anticipated by *Kroll*, which the Examiner states discloses discounted stock options. The Examiner equates the claimed exchangeable security with those discounted stock options. Applicant respectfully disagrees, but in the interest of advancing the claims to issue, claim 40 has been amended. Claim 40 recites a financial method for issuing an exchangeable security that is traded in a secondary market on a securities exchange and that is related to an underlying security. The method comprises determining a price of the underlying security at a first time, and calculating a discounted price of the underlying security as a discount from the price of the underlying security at the first time. The method also comprises issuing the exchangeable security at the discounted price for trading in the secondary market on the securities exchange. The exchangeable security includes an exchange right on or after a second time, where under the exchange right, a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the underlying security. The second time is after the first time.

Support for the amendment to claim 40 can be found in the specification, for example at page 14, lines 17-21. Applicant submits that there is no disclosure or suggesting in

*Kroll* of issuing the discounted stock options for trading in the secondary market on a securities exchange.

IV. Request for Reconsideration

Applicants respectfully submit that the claims of this application are in condition for allowance. Accordingly, reconsideration of the rejection and allowance is requested. If a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated.

Respectfully submitted,  
Milbank, Tweed, Hadley & McCloy, L.L.P.



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